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SECURITY INFORMATION

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CENTRAL INTELLIGENCE AGENCY

4 December 1951

MEMORANDUM FOR: DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT : US Policy and Programs with Respect to China,  
Present Status and Possible Future Courses  
of Action

A. Present US Policy

1. US policy toward China as enunciated in National Security Council directive 48/5 (see Tab "A") avoids the fundamental question of the relationship between US policy toward Peiping and US policy toward Taiwan. The directive does not indicate whether support of the Nationalist Government takes precedence over the effort to split Peiping from Moscow, or vice versa, nor does it discuss the interrelationship of programs designed to accomplish either. Up to this time, there has been sufficient justification for avoiding this issue in the absence of necessary information on which to base a reasonable decision.

2. Fortunately, in a tactical sense, no matter what the ultimate decision may be as to the priority of US effort in connection with these two fundamental questions and the interrelationship of programs designed to accomplish either of them, there are certain constant factors regarding US policy and programs toward Taiwan:

- a. The security of Taiwan will remain paramount within the US system of Pacific security.
- b. The Chinese Nationalist Armed Forces are the only military forces in being which could contribute in any significant degree as an ally in the event of an early general war in the Far East.
- c. Taiwan is the only focal point to which anti-Communist Chinese can rally.

DOCUMENT NO. \_\_\_\_\_  
NO CHANGE IN CLASS. ☐  
☐ DECLASSIFIED  
CLASS. CHANGED TO: TS ☒ G 1991  
NEXT REVIEW DATE: \_\_\_\_\_  
DATE: 10 FEB 81 REVIEWER: 018557

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- d. Taiwan is, and will continue to be, the most important base for unconventional operations against the China mainland in the cold war period.

3. Whatever decision is made regarding Peiping, the US must, in its own immediate self-interest, seek the strengthening of Taiwan as an anti-Communist force militarily, economically, politically, and psychologically.

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Meanwhile, any program adopted by the US to strengthen Taiwan should be given maximum implementation.

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B. US Programs

4. The following programs are operative in support of the Chinese Nationalist Government on Taiwan:

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- b. Military. A program of military assistance to the Chinese Nationalist Government has been established through the Military Aid Advisory Group to increase the capability of the Chinese Nationalist Government to defend the Island of Taiwan.
- c. Economic. Economic support of the Nationalist Government on Taiwan has been given through the Economic Cooperation Administration.
- d. Political. The US through its diplomatic representation on Taiwan has encouraged political reform of the Chinese Nationalist Government in an effort to increase its efficiency, stability, and psychological appeal to the total Chinese world-wide community

5. Under that part of US policy which calls for the development of non-Communist Chinese leadership,

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certain non-Nationalist, anti-Communist groups in the hope that such groups might establish a base in South China. As a political alignment the so-called "third force" has failed to develop significant unified support. As a purely military movement, the program has not yet developed to a sufficient degree to permit an estimate of its real potential, and is therefore not given weight herein.

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C. Effectiveness of US Programs

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- a. There are only about 165,000 partially organized guerrillas, and practically none of them are presently responsive to Nationalist control.
- b. The Chinese Nationalists continue to resist US efforts to assist the guerrilla program owing to their fear of losing control, tenuous as it is, over the small number of guerrillas with whom they have contact.
- c. Internal Nationalist cliques and personalities are making continual and destructive efforts to gain personal or group control over the guerrilla forces and the [REDACTED]
- d. The Nationalist Government continues to assign inefficient personnel to the guerrilla program, and continues to resist US efforts seeking assignment of qualified individuals.
- e. There appears to be little or no real desire on the part of the Nationalists Government to fight the Communists on the Mainland.
- f. The Nationalist Government lacks confidence in the political loyalties of guerrilla units on the mainland with which it is in contact and prefers not to develop guerrilla assets unless complete political fealty is guaranteed.
- g. In summary, guerrillas on the Chinese mainland have practically no present operational capability nor will they develop such capability under the aegis of the Nationalist Government as now constituted.

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7. Military -- Extremely limited success because of the following reasons:

- a. The Chinese Nationalists have failed to eliminate corruption and inefficiency in the Ministry of National Defense and in the armed forces.

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- b. Serious interference in the normal chain of command has developed by creation of a combination secret police-commissar system, which corrodes authority and therefore reduces the morale and effectiveness of the various commanders and their commands.
- c. The Nationalist army is without a source of manpower replacement, is steadily growing old, is becoming rusty in disuse and is therefore deteriorating from the standpoint of physical standards and morale.
- d. In summary, the Chinese Nationalist military establishment has practically no offensive capability and insufficient defensive capability to defend Taiwan without US naval and air support. (See Tab "B.")

8. Economic -- Moderate success because of the following reasons:

- a. US economic officials have acted under policy instructions which directed them to exert their influence "vigorously and firmly" for the improvement of Nationalist economic policies and practices.
- b. US officials have in practice carried out this policy guidance and have insisted upon Nationalist economic performance and the most effective utilization of US economic aid.
- c. US officials virtually control Nationalist fiscal policy and practice.
- d. More substantial success has been hindered by Nationalist inefficiency and by Nationalist failure to better coordinate and integrate their military and economic effort.
- e. In summary, despite the gains made, the overall Chinese Nationalist economy remains weak and would probably collapse without continued US assistance.

9. Political -- Practically no success because of the following reasons:

- a. The fundamental and prime policy of the Generalissimo and his ruling inner circle is to maintain the status quo in apparent preparation for reinheritance of the mainland as a spoil of US victory in World War III.

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- b. Although some lip service has been paid to reform and although some gains have been made in relation to local Taiwan problems, e.g. free elections, no official, elected or not, has independent authority to act against the will of the Generalissimo or the KMT.

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10. General -- Although Taiwan provides the only area of Chinese sovereignty to which the total anti-Communist Chinese community could rally; although Taiwan is the logical base for conventional, as well as unconventional operations against the Chinese mainland; although a fairly governed, obviously prosperous, zealously anti-Communist Taiwan would be one of the greatest deterrents to the continued spread of Chinese Communist influence and control in the Far East; although the Chinese Nationalist army represents the only potential ally with fighting forces in being in the Far East -- Taiwan cannot and will not serve any of those purposes effectively so long as the regime remains corrupt and inefficient. Until political reform and liberalization is effected on Taiwan, no US program aimed at the strengthening of the Chinese Nationalist Government can hope to achieve significant success.

D. Possible Courses of US Action

11. In view of the situation on Taiwan described in the preceding paragraphs, the US could completely withdraw its support of the Chinese Nationalist Government. This course of action would have the following results:

- a. The loss of the strategic island of Taiwan to the Chinese Communists.

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- b. The loss of a potential rallying point for the whole anti-Communist Chinese community.
- c. The loss of a base for both conventional and unconventional operations.
- d. The loss of a potential ally in the event of a general war.
- e. Complete loss of hope among non-Communist elements on the mainland.
- f. Loss of Chiang Kai-shek's residual prestige and potential rallying power.

12. The US could continue its present level of military and economic assistance to the Chinese Nationalist Government. This course of action would have the following results:

- a. Continued failure to develop the Chinese Nationalist military potential.
- b. Continued requirement for the allocation of sizable US naval forces for the defense of Taiwan.
- c. Continuation of the present lack of cohesiveness within the anti-Communist Chinese community and inevitable losses by default to Peiping.
- d. Continued failure to develop an effective psychological weapon against the Chinese mainland.
- e. Continued waste of US men, money and materiel involved in programs to strengthen the Chinese Nationalist Government.

13. The US could increase its present level of military and economic assistance to Taiwan. This course of US action would have the following results:

- a. Accelerate the waste of US men, money, and materiel devoted to China programs without significant increases in the effectiveness of the Chinese Nationalist Government politically, militarily, economically, or psychologically.

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- b. Further aggravate relations with Peiping without offsetting gains in the over-all anti-Communist effort.

14. The US concurrently with, and through the instrument of, increased military and economic assistance, could effect reform and liberalization of the Chinese Nationalist Government. This US course of action would have the following results:

- a. Contribute significantly to the offensive and defensive capability of the Nationalist armed forces.
- b. Make possible the development of a mainland resistance capability.
- c. Create an effective psychological weapon against the Chinese Communists.
- d. Relieve to a significant extent the necessity for allocation of major US forces for the protection of Taiwan.
- e. Create a basis for unity among all anti-Communist Chinese throughout the world.

15. The present situation on Taiwan peculiarly lends itself to positive action at this time. The measures suggested here have never been attempted. Various previous missions to China, including the Stilwell, Wedemeyer, Marshall efforts, were not parallel from the standpoint of assigned missions or the circumstances of the time, and should not be considered as criteria.

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Reform of the Nationalist Government in the past has constituted but a subsidiary objective pursued indirectly as a part of larger programs. In the course of action suggested here, reform of the Nationalist government is recognized as the basic first step toward US objectives. In the last analysis, it is unthinkable that the US should adjudge itself unable to cope with the Chinese Nationalist Government,

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Proper use of the equity in Nationalist affairs accruing to the US through its military support and economic assistance provides all the leverage necessary for effective and legitimate intervention. This leverage and full authority to use it, if placed in the hands of a chief of US Mission with acknowledged stature, skill and toughness, would be sufficient to the accomplishment of US aims and purposes. For amplification of this proposed program (prepared

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by OPC) of ways and means to effect reform of the Nationalist Government, see TAB "C".

16. The US cannot get either bona fide or maximum Nationalist cooperation without convincing the Generalissimo that a unity of US and Nationalist purposes exists and implicitly includes a joint desire for the return of the Chinese Nationalists to power on the mainland of China. The satisfaction of this requirement may well be the most difficult, although far from insurmountable, problem involved in effecting Nationalist reform. The following steps in this connection are essential:

- a. Without committing the US in written agreement, secret protocol or otherwise, the chief of US Mission must through his skill and persuasiveness convince the Generalissimo of the mutuality of US and Nationalist objectives.
- b. The US must recognize that a theoretical possibility exists that such a commitment might have to be abrogated in the future if Peiping should unexpectedly break with Moscow. It is worthy of mention that if such a swing away from Moscow occurred, it would be of sufficient moment to overshadow, particularly on the domestic and political scene, the problem of disposing of the Nationalist Government per se.
- c. In support of the mission chief on Taiwan, a program of psychological warfare would have to be devised, and sufficiently well coordinated at the top level of the government, so that all US actions would be adjunctive to the chief of mission's effort of convincing the Generalissimo of whole-hearted, full-scale US support of his aspirations toward the mainland.

E. Possible Courses of Action with Respect to the Early Utilization of Chinese Nationalist Armed Forces

Nationalist Invasion of Mainland China and/or Hainan Island with US Logistic Support:

17. Presently contemplated US aid to the Nationalists is primarily designed to build up the defensive capabilities of the Nationalist Armed

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Forces. Thus, the MAAG program does not include substantial improvement in Nationalist capabilities for amphibious operations. Furthermore, air and naval capabilities in general are not being improved. Thus, under these circumstances, the Nationalists do not have the capability to establish a lodgement on the mainland of China or Hainan Island.

18. The size of military forces which could be organized on Taiwan would be limited by the island's population and economic resources and under no circumstances could the Nationalists approach the Communist military manpower. If US aid to the Chinese Nationalists on Taiwan were greatly expanded so as to provide materiel and training needed for existing ground, air, and naval forces plus such additional manpower as could be recruited on Taiwan, the Nationalists probably could establish a sizeable bridgehead on the China coast without further US participation. Whether or not a bridgehead could be consolidated and expanded into a successful invasion would depend to a great degree on the reliability of the Nationalist armies, on the Nationalists' ability to organize, train, and equip sizeable forces on the mainland.

Nationalist Invasion of the Mainland China and/or Hainan Island with US Logistic, Naval and Air Support

19. After receipt of the proposed materiel aid and after training in its use, it is estimated that an assault with full US logistic, naval and air support would enable the Chinese Nationalists to secure a large base of operations on the mainland and/or secure Hainan Island. A continuation of US air attacks in tactical support of the invasion forces, and an extension of those attacks against selected vital targets and target systems would greatly reduce the war-making capabilities of the Chinese Communists and facilitate the consolidation and expansion of the invasion operation. It is likely that a successful invasion with obvious US participation would attract an increasingly great amount of popular support on the mainland. However, it is doubtful that the Nationalists could acquire the additional manpower on the mainland to break out of a lodgement and actually threaten the Communist control over large areas on the mainland. To accomplish this, the Nationalists would need the support of US ground forces backed by a major US war effort.

Securing Small Lodgements for Limited Periods at Selected Points

20. The Chinese Nationalists do not now have the capability for securing small lodgements on the mainland for a limited period of time, e.g., two weeks, without US logistic, air, and naval support. If such a capability were developed, however, the gaining of lodgements would divert considerable Communist strength to the coastal areas and would generally harass the regime.

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Raids, Feints, and Diversions

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[REDACTED] This program could be expected to divert some additional Communist strength to the coastal areas.

23. By Chinese Nationalist Regular Forces. Sporadic commando raids against the mainland by Chinese Nationalist Regular Forces would seriously divert Chinese Communist strength and furnish useful occupation for Nationalist forces. However, such a program would require a sizeable increase in the US aid program.

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[REDACTED]

24. Elite guerrilla cadres could be organized from Chinese Nationalist Forces on Taiwan and the off-shore islands and infiltrated into mainland China. Such a program would not require the degree of US economic and military assistance which would be required in support of Nationalist landings upon the continent.

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25. The objective of this operation would be to greatly expand the present [REDACTED] so as to provide on the mainland the basis of a resistance potential with adequate communication links. Although positive results from such a program would not be immediately visible, the long-range prospects of success would be good. In the event of a global or Sino-US war, the potential value of these forces would be great, particularly if used in conjunction with an invasion of the mainland.

26. In any event these forces would be useful (a) in creating increased intelligence networks; (b) in directing more effective resistance to the Chinese Communist anti-guerrilla program; (c) as a vehicle for the conducting of psychological and political warfare; (d) as an instrument for stimulating defections from the Chinese Communists; and (e) in carrying out sabotage operations against key specified targets. Finally, such a course of action would not inhibit future US policy toward China.

Use of Chinese Nationalist Troops in Korea

27. Effective Chinese Nationalist forces are not yet available in significant numbers for employment outside present Nationalist-held territory. If Chinese Nationalist troops were to be used in Korea, they would require complete US logistic support and an intensive period of individual and unit training with US supplied equipment, substantially

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equivalent to that required in the augmentation of UN forces by an equal number of ROK troops. Chinese Nationalist troops would probably be effective in fighting under UN direction in Korea following a training and equipping program and such employment would give them valuable combat experience.

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TAB "A"

The following excerpts from NSC 48/5, approved by the President  
17 May 1951, state pertinent portions of U.S. policy toward China,  
including Taiwan:

"6. In view of the threat to United States security interests resulting from Communist aggression in Asia, it should be the policy of the United States to:

"a. Detach China as an effective ally of the USSR and support the development of an independent China which has renounced aggression."

"8. While continuing to recognize the National Government as the legal government of China, the United States, with respect to Communist China should now:

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"b. Expand and intensify, by all available means, efforts to develop non-communist leadership and to influence the leaders and peoples in China to oppose the present Peiping regime and to seek its reorientation or replacement.

"c. Foster and support anti-communist Chinese elements both outside and within China with a view to developing and expanding resistance in China to the Peiping regime's control, particularly in South China."

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"11. With respect to Formosa the United States should:

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"b. Encourage political changes in the Nationalist regime which would increase its prestige and influence in China proper."

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TAB "B"

CHINESE NATIONALIST ARMED FORCES

1. The Chinese Nationalist Army has a strength of 451,000 personnel organized into 38 infantry divisions, 4 armored groups, 1 paratroop group, 3 fort commands, 5 independent regiments and two independent battalions. The bulk of these forces is disposed on Formosa; some combat elements are located on Matsu, Quemoy, and the Pescadores Islands. The Nationalist Army has no significant number of trained reserves and under present circumstances its mobilization capacity is negligible. The mass induction of Formosan youths would not be feasible unless the US greatly expanded its proposed MDAP. Even in this event, the dependability and effectiveness of Formosan troops would be questionable. At the present time, the Nationalist Army is short of some types of ammunition, arms and other equipment and the materiel that is available is heterogeneous and poorly maintained. Because of these materiel deficiencies, the lack of reserve manpower, and the poor command structure (including the lack of interservice coordination) the combat effectiveness of the Nationalist Army is poor. After receipt of the proposed US materiel aid and after training in its use, its effectiveness will be substantially improved.

2. The Chinese Nationalist Air Force consists of 8 combat groups possessing 384 tactical aircraft. However, of this total, only 121 aircraft are serviceable for combat. These consist of 35 light bombers and 86 piston fighters predominantly of World War II design. Because of the lack

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of spare parts and improper maintenance facilities, the combat effectiveness of this force is very poor. Under conditions of sustained combat, particularly if opposed by jet aircraft, its capabilities would be reduced to a negligible factor in a day or two. In spite of these difficulties, the Chinese Nationalist Air Force is believed to have the organizational structure and necessary personnel to absorb and utilize the additional equipment necessary to make it an effective force. However, the present US aid program is not expected to improve the Nationalist Air Force or even maintain its present capabilities.

3. The Chinese Nationalist Navy consists of approximately 150 miscellaneous craft, the largest of which are seven destroyer-type vessels. Under optimum conditions and provided that there were no air or naval opposition, the Nationalists would be capable of transporting up to two divisions in assault by means of orthodox landing craft and following up with five or six water-lifted divisions. No amount of logistic support could immediately effect a great increase in the effectiveness of the Nationalist Navy. Training in large-scale operations, command reorganization, the removal of political intrigues, and other slowly achieved changes are prerequisites to any major improvement.

4. It is evident that the capabilities of the Chinese Nationalist Armed Forces are extremely limited. It is estimated that the Chinese Nationalists are at present incapable, by themselves, of defending Taiwan against an all-out assault by the Chinese Communist Forces. On the offensive side, the Chinese Nationalists could not at present establish a lodgement on the mainland without the full participation of US forces, including

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US ground forces. After receipt of proposed U. S. materiel aid and after training in its use, the Nationalist Army could provide 10 infantry divisions for an assault on the mainland, if the U. S. continued logistic support to the invasion force. However, since the presently proposed aid will not improve Nationalist air and naval capabilities, an attempted assault on the mainland still would have no hope of success unless the US provided powerful air and sea operational support.

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